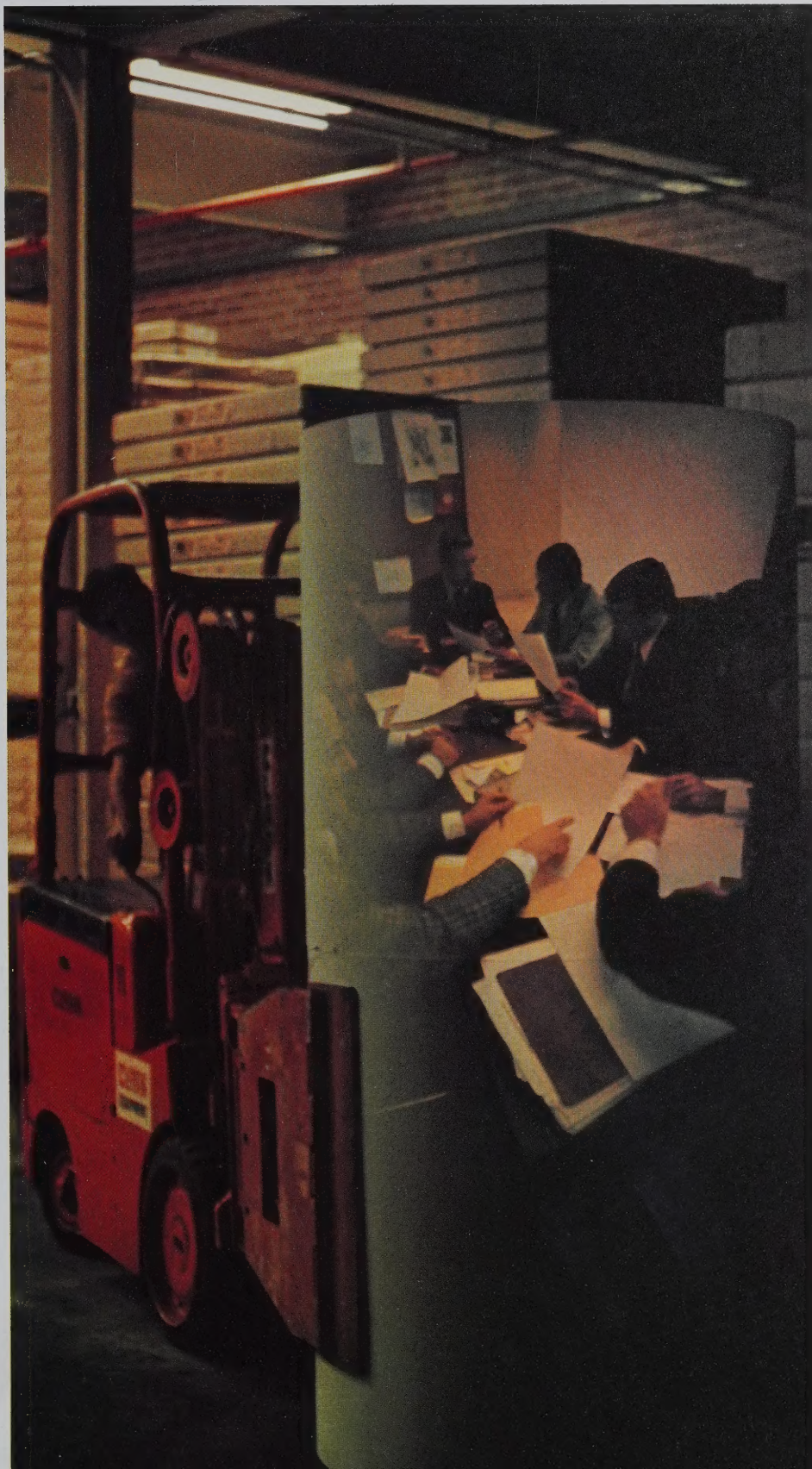


**Annual
Report
1974**

**Rolland
Paper
Company,
Limited**



*The outstanding efforts and
enthusiasm of the marketing and
production teams throughout the
Company's divisions played a
major role in Rolland's
1974 results.*

Table of Contents

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The Annual General Meeting of Shareholders will be held at the Head Office of the Company, 800 Victoria Square, Suite 3620, Montreal, Quebec at 11:00 a.m., March 27, 1975.

Si vous préférez recevoir votre rapport annuel en français, prière d'écrire au Secrétaire, Compagnie de Papier Rolland, Limitée, 800, Place Victoria, Suite 3620, Montréal, Québec H4Z 1H3.

47th Annual Report

Rolland Paper Company, Limited
Papermaking Specialists

Head Office:
800 Victoria Square, Suite 3620
Montreal, Quebec H4Z 1H3.

Sales Offices:
Montreal and Toronto

Paper Mills:
St. Jerome and Mont Rolland, Quebec
and Scarborough, Ontario

Directors

- The Hon. John B. Aird, Q.C.
A Senior Partner, Aird, Zimmerman & Berlis, Barristers and Solicitors
Toronto

*G. Drummond Birks
President, Henry Birks & Sons Limited
Montreal

Paul Chapdelaine
Director of various companies
Montreal

E. Jacques Courtois, Q.C.
Partner, Laing, Weldon, Courtois, Clarkson, Parsons & Tétrault
Barristers and Solicitors
Montreal

Richard A. Irwin
Chairman of the Board
Consolidated-Bathurst, Limited
Montreal

Roger Charbonneau
President
Laboratoire Anglo French Limitée
Montreal
- *Gérard Plourde
Chairman of the Board, UAP Inc.
Montreal

*Albert Rolland
Vice-President and Marketing Consultant
Rolland Paper Company, Limited
Laval

*Lucien G. Rolland
President and General Manager
Rolland Paper Company, Limited
Montreal

Marc Rolland
Retired Executive
St. Jerome

Olivier Rolland
Retired Executive
Montreal

*Joseph A. Weldon, M.B.E., M.C.
Vice-President and Financial Consultant
Rolland Paper Company, Limited
Montreal

**Member of the Executive Committee*

Officers

- Lucien G. Rolland
President and General Manager

Joseph A. Weldon
Vice-President and Financial Consultant

Albert Rolland
Vice-President and Marketing Consultant

Jean-Louis Chollet
Executive Vice-President
Book and Fine Papers Division

David Heron
Executive Vice-President
Wholesale Distribution Division

Keith Wood
Executive Vice-President
Coated Papers Division

Michel Gagnon
Vice-President
Director of Planning and Systems

Bruno Julien
Vice-President, Personnel

Alphonse St-Jacques
Vice-President and Treasurer
- Hugh M. Craig
Director of Product Development

Jean A. Elie
Secretary and Director of Marketing Services

Yvan Duchesne
Controller

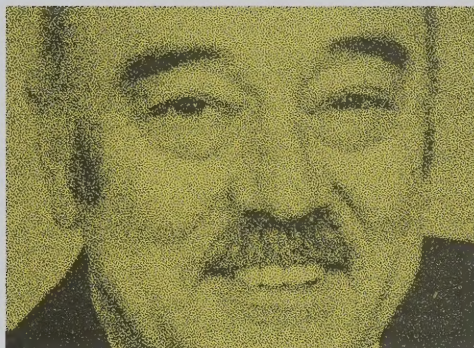
Transfer Agents
Montreal Trust Company
The Royal Trust Company

Registrars
Canadian Trust Company
Bankers Trust Company

Shares Listing
Montreal Stock Exchange
Toronto Stock Exchange

Auditors
Touche Ross & Co.

Lucien G. Rolland



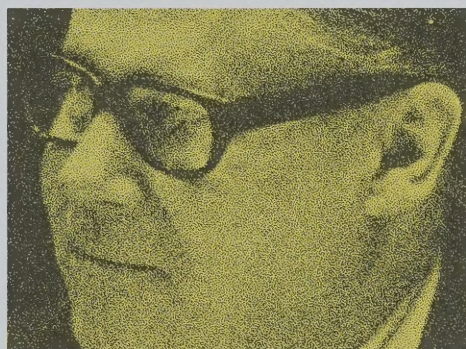
Bruno Julien



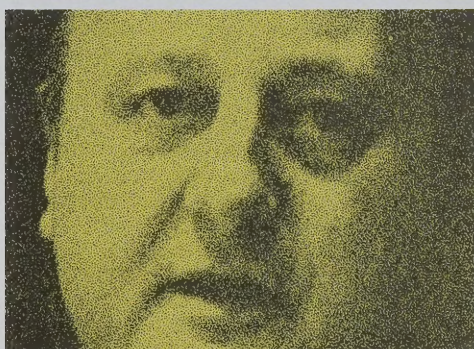
Jean-Louis Chollet



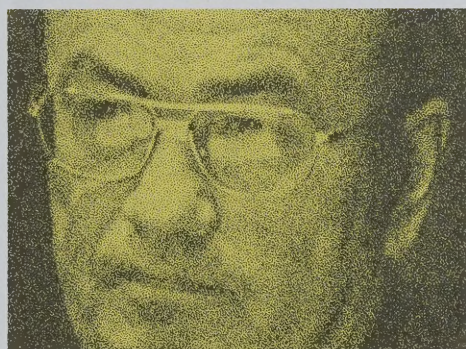
Alphonse St-Jacques



David Heron



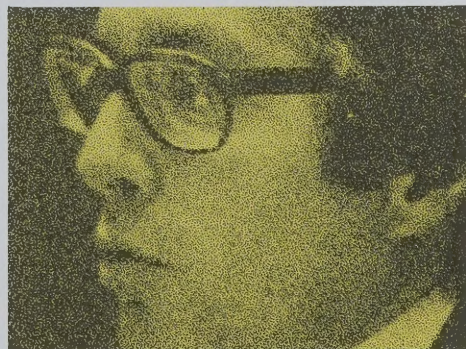
Hugh M. Craig



Keith Wood



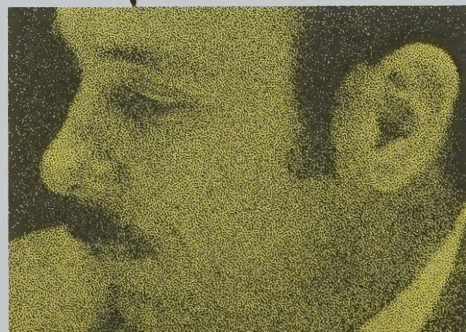
Jean A. Elie



Michel Gagnon



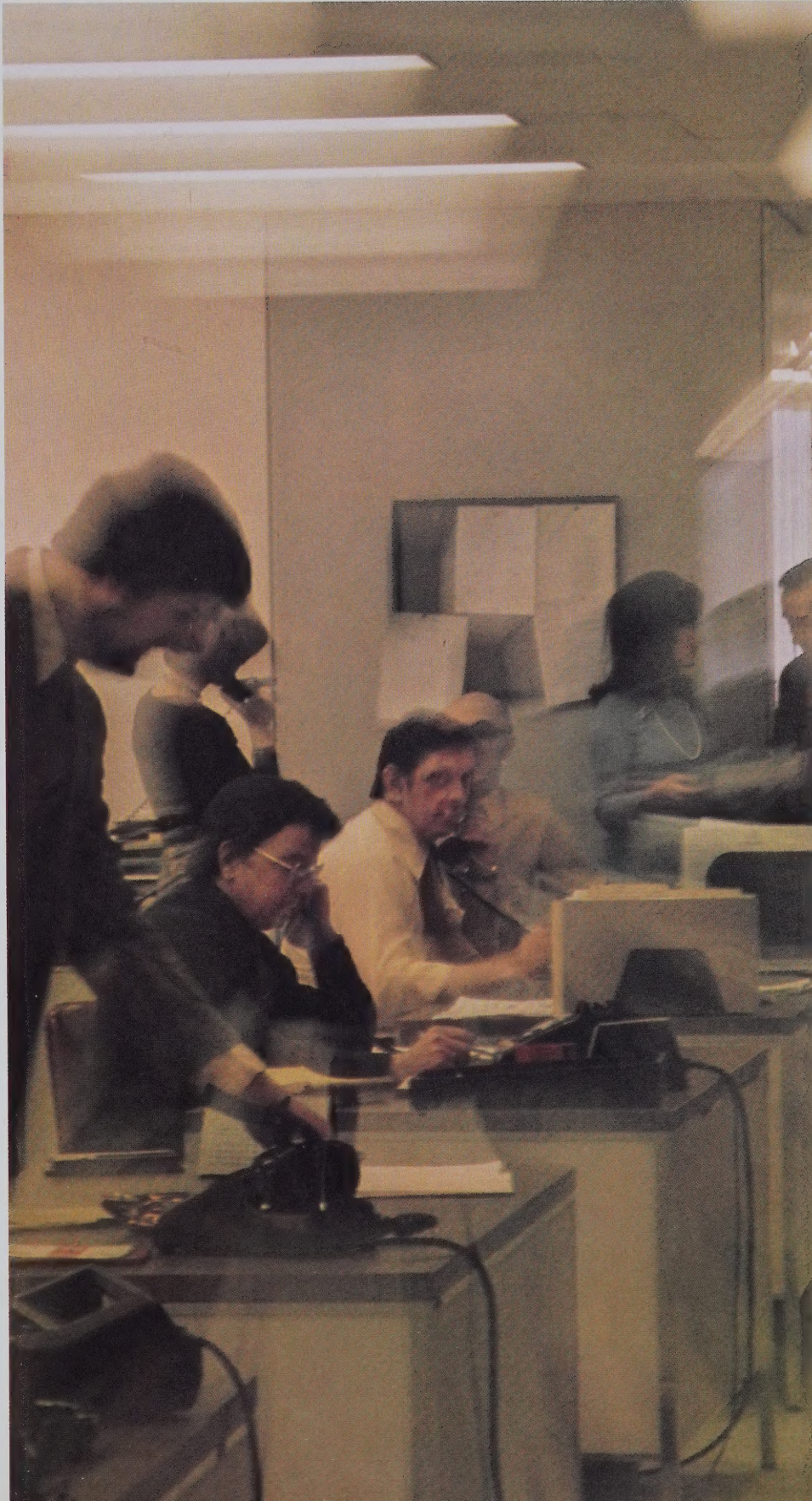
Yvan Duchesne



Highlights

	1974	1973
Net sales	\$83,228,000	\$61,130,000
Earnings before extraordinary items	5,288,000	2,629,000
Per class "A" share	2.85	1.41
Per class "B" share	2.80	1.36
Extraordinary items	—	64,000
Per class "A" and "B" shares	—	0.03
Net earnings	5,288,000	2,693,000
Per class "A" share	2.85	1.44
Per class "B" share	2.80	1.39
Dividends on class "A" and "B" shares	1,099,000	620,000
Per class "A" share	0.61	0.35
Per class "B" share	0.56	0.30
Cash Flow	7,259,000	4,239,000
Per class "A" share	3.93	2.28
Per class "B" share	3.88	2.23
Book Value per class "A" and "B" shares	12.87	10.63
Working Capital	14,445,000	11,443,000
Long-term Debt	6,645,000	6,662,000
Capital Expenditures	3,300,000	1,550,000

The financial results reflect satisfactory trading conditions, a buoyant demand for fine papers during most of 1974, higher prices and a greater volume of sales to the domestic market by the manufacturing divisions.



Directors' Report to Shareholders

Sales and Earnings

Consolidated net sales were \$83.2 million compared to \$61.1 million in the previous year. Net earnings were \$5.3 million or \$2.85 per class "A" share and \$2.80 per class "B" share as against \$2.7 million or \$1.44 and \$1.39 per class "A" and class "B" share respectively in 1973.

These results reflect satisfactory trading conditions, a buoyant demand for fine papers during most of 1974, higher prices, a greater volume of sales to the domestic market by the manufacturing divisions, higher returns from short-term investments and resumed dividends from our investment in Consolidated-Bathurst Limited.

Economic Environment

Overall Canadian fine paper production increased by 5.4% in 1974 over 1973. Demand however fluctuated widely throughout the period.

The year started out with a high level of demand. Mills operated at full capacity and the backlog of orders became extremely high.

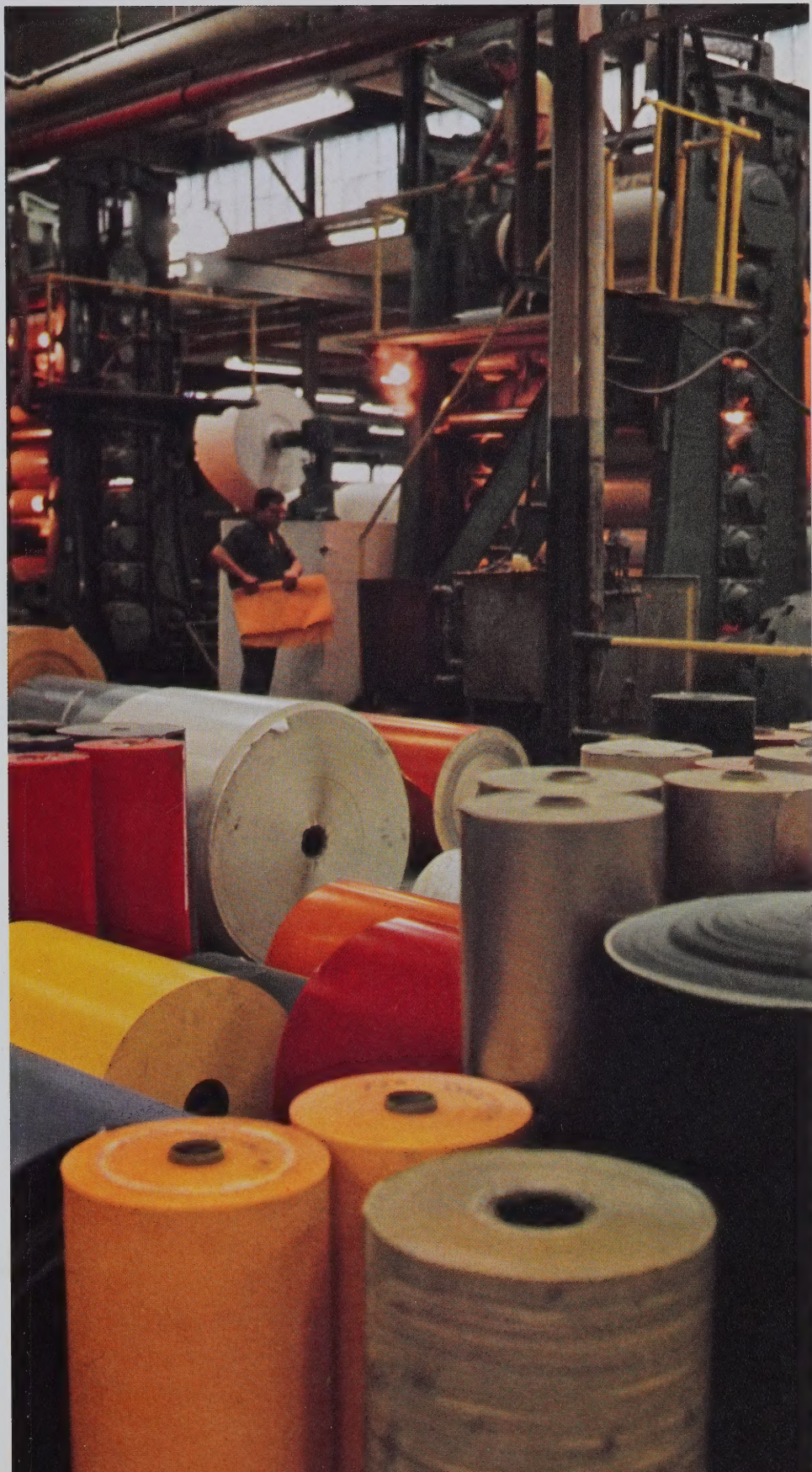
Manufacturers had to extend delivery dates, and customers, such as distributors, printers and converters started to build inventories. This, of course, compounded the problem for the paper manufacturers forcing them to institute a temporary system of allocation, which in turn contributed to the shortage of paper psychology. By the third quarter it became quite evident that inventories had reached unnecessarily high proportions and that the volume of orders received had exceeded the de-

mand. A low turnover rate and the high cost of carrying these inventories forced customers to drastically reduce their orders. By December, manufacturers were forced to curtail operations. The correction, when it came, was abrupt and spread quickly throughout the industry.

Results in the American fine paper industry were similar but the economic downturn reduced the level of activity sooner than in Canada, so much so, that total shipments by the American fine paper industry increased by no more than 2.6%. Having excess capacity manufacturers were prompted to increase their exports. The result was an increase of almost 50% in one year in Canadian imports of fine papers. Fortunately, the very active domestic market absorbed these imports without too much difficulty at prevailing prices.

Fine paper manufacturers did not escape the effect of inflation. The cost of wages, materials and services went up considerably. The most dramatic increase, however, took place in the price of raw materials which play such an important role in a manufacturing operation such as ours. At year end, the price of hardwood pulp alone had increased by 56% when compared to the same period last year. In the face of these accelerating costs, fine paper manufacturers and distributors were compelled and fortunately able to increase the prices of all grades of paper during the year.

The year started out with a high level of demand for all products requiring mills to operate at full capacity.



Book and Fine Papers Division

This division achieved a dollar sales growth in excess of 40% and a good level of earnings during 1974.

The St. Jerome and Mont Rolland mills operated at full capacity from the first quarter until the last quarter when 7-day operations had to be discontinued. Total shipments were 3% lower than in 1973 and the paper machines ran at 91% of capacity.

Because of the tight operating conditions which existed until the last quarter and the requirements of Canadian customers, export shipments were curtailed. This was unfortunate because the Company had been carefully developing these markets for some years.

Despite the heavy demands made on the division's resources, the programs initiated in 1973 for the purpose of consolidating our position in various end-use markets were pursued. Among these, the introduction of a unique surface-treated offset paper, the Rolland ST, was quite successful. Such a launching was a milestone not only in the development of Rolland but also in the evolution of the Canadian fine paper industry since Rolland ST is the first product of its kind to be manufactured in our country.

A program of capital expenditures was approved to update the finishing operations and to speed up our largest paper machine in our St. Jerome mill. Not only will these expenditures increase the productivity of our operations but the speed-up will provide approximately 14,000 tons of additional capacity.

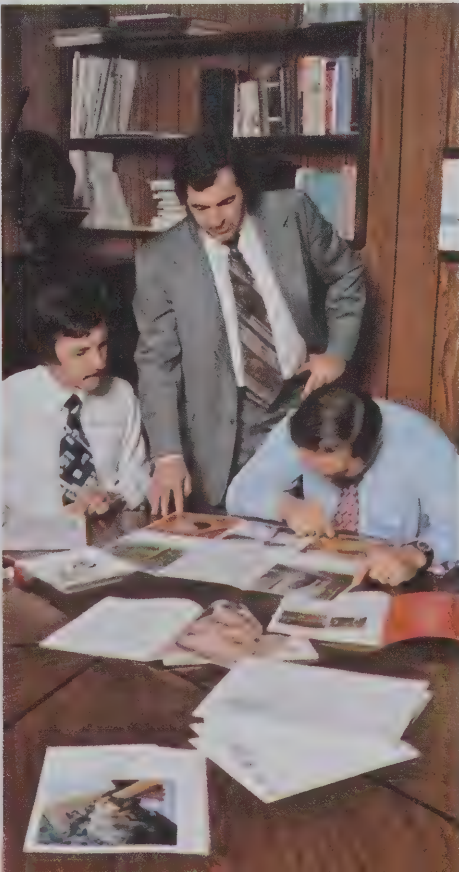


Marketing and promotion programs initiated in 1973 for the purpose of consolidating our position in various end-use markets were pursued.

The introduction of Rolland ST was a success and sales presentations to printers and merchants were made throughout the year.



Renaissance, a new premium quality coated offset paper offers printers and designers a product not previously manufactured in this country.



The coated paper division continued its sales development program having as main objective the increasing of distribution in Eastern Canada.



*Buoyant demand by
printers and other paper
buyers caused the
wholesale distribution
division to operate under
heavy pressure.*



Coated Papers Division

This division experienced the same activity as that of the industry but the reduction in shipments occurred earlier. Total sales volume was slightly below that of the previous year. Nevertheless higher prices coupled with a more selective grade-mix yielded higher net earnings.

The division continued its sales development program with the main objective of increasing the distribution of its products in Eastern Canada. Within this context, it launched a new premium product: Renaissance. As with the Rolland ST, the Renaissance was also a first in the Canadian fine paper market. Aimed at the commercial printing market, this new premium quality coated offset paper offers Canadian printers and designers an option which they previously could only exercise through imports.

Because of the weakness of the market since the third quarter, recent severe inflationary cost increases have not been reflected by any additional price increases and the division has had to absorb increased raw materials and labour costs which should normally be passed on.

Wholesale Distribution Division

During most of 1974, the buoyant demand triggered abnormal orders by customers and when allocations by Canadian fine paper manufacturers came into effect this division had to operate under heavy pressures. Inventories reached high levels and with peaking interest rates this required substantial amounts of cash. As a result, warehouse and distribution costs increased substantially.

Successive price increases caused inventory profits which will not re-occur as inventories should be progressively reduced to more normal and efficient levels.

The income tax surcharge affected this division and increased the effective tax rate in 1974 from 50% to 52.5%.

All in all, this division improved its sales revenues and maintained the level of its earnings.

Financial

The cash flow from operations of \$7.3 million or \$3.93 per class "A" share in 1974 is up substantially from \$4.2 million or \$2.28 per class "A" share last year, resulting from the improvement in net earnings.

The working capital of \$14.4 million at December 31, 1974 was \$3 million higher than last year. The ratio of current assets to current liabilities stood at 2.8:1. Short-term investments of \$2.1 million at the end of 1973 were disposed of in order to finance in part the addition of \$6.4 million to inventories which reached a total of \$14.5 million at year end. More than half of this inventory increase was due to the increases in raw materials and paper prices during the year. Working capital needs are growing faster than the level of earnings in this period of rapid inflation thus creating a heavy demand for corporate cash.

Capital expenditures were \$3.3 million, compared with \$1.5 million in 1973. An additional amount of \$7.5 million will be spent in 1975.

An amount of \$1,084,500 was used to purchase \$266,500 par value of the 4 $\frac{1}{2}$ % sinking fund bonds and \$818,000 par value of the 5 $\frac{3}{4}$ % sinking fund debentures, and resulted in a discount profit of \$186,500. The balance of the 4 $\frac{1}{2}$ % sinking fund bond issue of \$189,500 matured and was retired on January 2, 1975. The sinking fund requirements of the 5 $\frac{3}{4}$ % debentures have now been satisfied for the next three years.

The rate of return on capital employed continued its improvement and reached 14.7% as compared to 8.6% in 1973. A higher rate is now essential in order to finance working capital needs and to justify new expansion.

The federal government maintained the income tax rebate for manufacturing and processing industries, and extended indefinitely the accelerated rates of capital cost allowances. The stability and predictability of the capital cost allowance system is important to enable Canadian companies to plan and make effective use of the incentives available.



Increasing effort is being directed towards securing our position in key end-use markets.

Effects of price-level changes

In this period of rampant inflation, traditional methods of financial reporting based on historical dollars are rapidly losing their relevance as a measure of corporate performance.

In order to show the effects of the diminishing purchasing power of the dollar on the Company's financial position and results of operations, we present supplementary financial data on pages 32 and 33. This financial information, summarized below, restates historical cost data in terms of dollars of current purchasing power using the Consumer Price Index as a basis of translation.

We realize that financial data based on current replacement values would probably present a more realistic picture of the effect of inflation and other economic factors on net assets and operating results. Nevertheless, we are confident that the information as presented should help to reduce the distortions caused by inflation when making year to year comparisons of the Company's performance.

	Current Dollar Basis		Historical Dollar Basis	
	1974	1973	1974	1973
	(in thousands)		(in thousands)	
Net earnings	\$ 5,277	\$ 2,437	\$ 5,288	\$ 2,693
Capital employed	47,602	44,626	35,941	31,445
Return on capital employed	11.1%	5.5%	14.7%	8.6%



Considerable attention is concentrated on the commercial printing market, a very large consumer of fine papers.



Rolland maintains its sales effort in the very competitive market of copy and duplicating papers.



Rolland remains a leader in the letterhead and stationery market.



Rolland is a key supplier of paper to the Canadian envelope manufacturers.

Dividends

The regular quarterly dividend rate declared in the last quarter of 1973, of \$0.12 per class "A" share and \$0.10^{3/4} per class "B" share, was maintained throughout the first three quarters. On October 16, 1974 the dividends were increased to a regular quarterly rate of \$0.15 and \$0.13^{3/4} per class "A" and "B" respectively. An extra dividend of \$0.10 on the class "A" and "B" shares was also paid in December. This brought the total rate paid in 1974 to \$0.61 per class "A" and \$0.56 per class "B" share, as compared to \$0.35 and \$0.30 per class "A" and class "B" share respectively in 1973.

Personnel

The field of industrial relations was a very active year in 1974. On August 27th, the Book and Fine Papers Division's two-year collective agreement with the hourly paid employees was ratified. A two-year agreement covering the office employees in the St. Jerome and Mont Rolland mills received ratification on September 25, 1974.

Although these settlements have already added substantially to our costs, there are indications that further important increases are possible in 1975, when other fine paper companies will be negotiating their respective collective agreements.

In the Coated Papers Division, a one-year contract was successfully negotiated with the union representing office employees. A two-year contract was also negotiated with the hourly paid employees.

The Canadian Paperworkers Union was certified to represent the warehouse employees of the Toronto branch of The Wilson-Munroe Company, after a series of long and difficult procedures.

Environment

Your Company pursued its environmental improvement program according to the long-term plan established some time ago. Effluent control systems were further developed. The amount of suspended solids in our waste water during 1974 remained below the level established by the Quebec Water Board.



Both coated and uncoated divisions are suppliers to the book publishing industry.



Rolland is active in developing and manufacturing special grades of paper with security characteristics.

Outlook

The outlook for 1975 is cloudy. Since the second quarter of 1974, the output of goods and services in Canada has remained unchanged. Real Gross National Product was no higher in the last quarter of 1974 than at the beginning of the year. Canada is now caught in the economic recession which has been under way for some time in the western world.

Undoubtedly, this situation will continue in 1975. But at the time of writing we hope that a resumption of growth will take place some time in the second quarter with G. N. P. growing at a yearly rate of 1% to 3%. Inflation will continue, possibly moderating by the end of 1975.

Against this perspective, the outlook for the Canadian fine paper industry is for a slightly lower level of consumption in a soft market. Its performance should follow that of the economy with a weak first half followed by mild recovery in the third or fourth quarter. The results of the first quarter will, in addition, be severely affected by the high level of inventories.

American competition is another important variable in assessing the outlook for our domestic industry. We can expect an increase in imports of lower priced American manufactured

fine paper products. This will result in a downward pressure on the domestic market with the unpleasant possibility of price erosion and loss of volume to Canadian mills.

The vulnerability of the Canadian fine paper industry to its American counterpart and the increasing use of American fine paper products is a continuous source of concern and is difficult to reconcile with the recent efforts of our Government to increase the Canadian character of the domestic publishing industry. The main advantages enjoyed by the Americans are lower labour cost, an extensive rationalization and large economies of scale. This is made possible by the size of their market which allows for a yearly production of 12 million tons as against approximately 800,000 tons in Canada.

Under such a scenario, Canadian manufacturers will have to absorb costs increases with the result that profit margins are bound to decline.

Your Company will not escape these trends. The exceptional results of 1974 may well not be duplicated in 1975. Competition from U.S. manufacturers and a lower level of orders, at least in the first part of the year, should bring a reduction in operations.

Rolland participates in the rapid growth of the continuous form market.



Rolland supplies coated paper for box wrapping and label printing.



Board of Directors

We would like to record our deep sorrow at the passing of Mr. Olivier Rolland. First elected in 1923 to the Board, Mr. Rolland was dedicated to the growth and progress of your Company, and occupied several key executive positions throughout his career. His contribution was most valuable and he will be missed by all those who had the privilege of knowing him.

Mr. H. A. LeBlanc retired in March 1974, as Director and Secretary. His deep commitment and interest in the affairs of the Company over a long period, were greatly appreciated.

Mr. Roger Charbonneau, well-known in educational circles and a Director of several companies, was elected to the Board in March 1974.

Appreciation

The accomplishments of 1974 are the result of the outstanding efforts and enthusiasm of the many individuals in all of the Company's divisions. Your Directors wish to express their sincere thanks for this effective contribution. They also wish to thank customers for their confidence and understanding, and to convey to the Company's suppliers a warm message of appreciation for their continuous cooperation.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "Lucien G. Rolland". The signature is fluid and cursive, with a large initial 'L' and 'R'.

Lucien G. Rolland
President and General Manager

Montreal, February 5, 1975

**Financial
Statements
1974**

**Rolland
Paper
Company,
Limited**



Consolidated Statement of Income

Year ended
December 31

	1974	1973
	<i>(in thousands)</i>	
Net sales	\$83,228	\$61,130
Cost of sales	65,352	48,725
Gross profit	17,876	12,405
Selling and administrative expenses	7,797	5,848
Depreciation and amortization	1,588	1,534
Bond Interest	354	402
	9,739	7,784
Operating income	8,137	4,621
Investment and other income	652	278
Earnings before income taxes	8,789	4,899
Income taxes	3,782	2,270
Earnings from operations	5,007	2,629
Dividend income	281	—
Earnings before extraordinary items	5,288	2,629
Extraordinary items — Note 4	—	64
Net earnings	\$ 5,288	\$ 2,693
Earnings per share — Note 9		
Earnings before extraordinary items:		
Per Class "A" share	\$ 2.85	\$ 1.41
Per Class "B" share	2.80	1.36
Net earnings:		
Per Class "A" share	\$ 2.85	\$ 1.44
Per Class "B" share	2.80	1.39

**Consolidated
Statement
of Retained
Earnings**

*Year ended
December 31*

	1974	1973
	<i>(in thousands)</i>	
Retained earnings at beginning of year	\$12,449	\$10,435
Net earnings for the year	5,288	2,693
	17,737	13,128
Dividends		
Preferred shares	59	59
Class "A" shares	830	476
Class "B" shares	269	144
	1,158	679
Retained earnings at end of year	\$16,579	\$12,449

**Consolidated
Balance Sheet**
at December 31

Assets

	1974	1973
	<i>(in thousands)</i>	
Current		
Cash	\$ 20	\$ 272
Short-term investments at cost, which is equivalent to market value	25	2,104
Accounts receivable	7,834	7,546
Inventories — Note 2	14,524	8,128
Prepaid expenses	241	256
	22,644	18,306
Investment (market value \$2,906; 1973 — \$3,469)	5,863	5,863
Fixed		
Property, plant and equipment — Note 3	15,434	13,874
Excess of consideration for acquisition of shares of a subsidiary over their book value, net of amortization	199	265
	\$44,140	\$38,308

On behalf of the Board:
Lucien G. Rolland, Director
J. A. Weldon, Director

Liabilities

	1974	1973
	<i>(in thousands)</i>	
Current		
Bank indebtedness	\$ 964	\$ 700
Accounts payable and accrued liabilities	5,532	5,245
Income taxes payable	1,513	661
Long-term debt instalment due within one year	190	257
	8,199	6,863
Long-Term Debt — Note 5	6,645	6,662
Deferred Income Taxes	4,155	3,772

Shareholders' Equity

Capital — Note 6

Authorized

24,800 Preferred shares of \$100 each issuable
in one or more series

2,400,000 Class "A" and 800,000 Class "B" shares
without nominal or par value

Issued

13,995 4¹/₄% Cumulative redeemable
preferred shares \$ 1,399

1,360,016 Class "A" and
480,008 Class "B" shares 7,163
8,562

**Retained Earnings — For use in the
business — Note 7**

16,579 25,141 21,011

\$44,140 \$38,308

**Consolidated
Statement of
Changes in
Financial
Position**

*Year ended
December 31*

	1974	1973
	<i>(in thousands)</i>	
Source of Funds		
Cash flow from operations		
Earnings before extraordinary items	\$ 5,288	\$ 2,629
Depreciation and amortization	1,588	1,534
Deferred income taxes	383	76
	7,259	4,239
Bank loan	1,000	—
Extraordinary item — income tax reduction	—	321
	\$ 8,259	\$ 4,560
Application of Funds		
Capital expenditures — net	\$ 3,082	\$ 1,333
Long-term debt reduction	1,017	732
Dividends	1,158	679
Redemption of preferred shares	—	22
	5,257	2,766
Increase in Working Capital	3,002	1,794
	\$ 8,259	\$ 4,560

**Changes in
Components of
Working
Capital**

*Year ended
December 31*

	1974	1973
	<i>(in thousands)</i>	
Increase (decrease) in current assets		
Cash	\$ (252)	\$ 97
Short-term investments	(2,079)	998
Accounts receivable	288	1,295
Inventories	6,396	1,142
Prepaid expenses	(15)	88
	4,338	3,620
Increase (decrease) in current liabilities		
Bank indebtedness	264	296
Accounts payable and accrued liabilities	287	1,325
Income taxes payable	852	(29)
Long-term debt instalment due within one year	(67)	234
	1,336	1,826
Increase in Working Capital	\$ 3,002	\$ 1,794
Working Capital at End of Year	\$14,445	\$11,443

**Notes to
Consolidated
Financial
Statements
December 31,
1974**

**note 1
Significant Accounting
Policies**

Principles of Consolidation

The consolidated financial statements include the accounts of Rolland Paper Company, Limited and its wholly-owned subsidiaries, Canada Glazed Papers Limited, The Wilson-Munroe Company Limited and Fine Papers, Limited. All inter-company transactions have been eliminated.

Intangible

Excess of consideration represents the excess of the purchase price over the book value of the net tangible assets of The Wilson-Munroe Company Limited at date of acquisition. It is the Company's practice to amortize this excess on a straight-line basis over a five year period, commencing in 1973.

Inventories

Inventories are stated at the lower of cost (generally first-in, first-out method) and the net realizable value.

Investment

The investment consisting of 125,000 common shares of Consolidated-Bathurst Limited is not considered by the Company to be of a current nature, therefore it is carried at cost instead of market value.

Property, Plant and Equipment

Depreciation of property, plant and equipment is provided using the straight-line method in the manufacturing companies and the diminishing balance method in the wholesale distribution companies. Additions are recorded at cost. Government grants related to capital expenditures are deducted from the respective fixed assets.

Income Taxes

Income taxes are based on accounting income which differs in some respects from taxable income. Differences generally arise because items of income and expense, such as depreciation, are reflected in different time periods for financial accounting purposes than for tax purposes. Deferred income taxes represent the amount by which taxes on accounting income exceed taxes paid or payable on taxable income.

Pension Plan

The Company accounts for current pension costs on an accrual basis and past service costs as they are funded, in accordance with the Pension Benefits Standards Act.

note 2
Inventories

	1974	1973
	<i>(in thousands)</i>	
Finished paper and paper in process	\$ 9,602	\$ 5,685
Raw materials, wires, felts and supplies	4,223	1,918
Repair parts and maintenance materials	699	525
	\$14,524	\$ 8,128

note 3
Property, Plant and Equipment

	Cost	Accumulated Depreciation	Net 1974	Net 1973
Machinery and equipment	\$28,920	\$17,646	\$11,274	\$ 9,759
Buildings	7,275	3,640	3,635	3,603
Leasehold improvements	329	220	109	94
Land	416	—	416	418
	\$36,940	\$21,506	\$15,434	\$13,874

note 4
Extraordinary Items

	1974	1973
	<i>(in thousands)</i>	
Income tax reduction from carry forward of losses of a subsidiary company, Fine Papers, Limited	\$ —	\$ 321
Write-off of excess of consideration for acquisition of shares of a subsidiary company, Fine Papers, Limited	—	257
	\$ —	\$ 64

note 5

Long-Term Debt

		1974	1973
<i>(in thousands)</i>			
Rolland Paper Company, Limited			
First Mortgage Bonds			
4½% Sinking Fund Bonds due			
January 2, 1975	\$4,000		
Deduct:			
Bonds redeemed and cancelled including			
\$210,000 in anticipation of future			
Sinking Fund Requirements	3,810	\$ 190	\$ 456
Sinking Fund Debentures			
5¾% due July 2, 1984	7,500		
Deduct:			
Debentures redeemed and cancelled			
including \$955,000 in anticipation			
of future Sinking Fund Requirements	1,855	5,645	6,463
		5,835	6,919
Deduct:			
Instalment due within one year			
included in current liabilities		190	257
		5,645	6,662
Bank Loan — Note 11		1,000	—
		\$ 6,645	\$ 6,662

Principal Repayments

	1975	1976	1977	After 1977	Total
4½% First Mortgage Bonds	\$190	\$ —	\$ —	\$ —	\$ 190
5¾% Sinking Fund Debentures	—	—	—	5,645	5,645
	190	—	—	5,645	5,835
Bank Loan	—	800	200	—	1,000
	\$190	\$800	\$200	\$ 5,645	\$ 6,835

The declaration of dividends and the redemption of preferred shares of Rolland Paper Company, Limited are restricted if such declaration or re-

demption results in a reduction of the working capital of the Company to an amount less than \$2,000,000.

note 6

Capital

The preferred shares of the 4 $\frac{1}{4}$ % series are redeemable at \$104 per share and are non-voting unless four quarterly dividends are in arrears. Class "A" shares are non-voting unless the Company shall fail, for a period of two consecutive years, to pay any dividend on such shares.

Class "A" shares are entitled to a non-cumulative dividend at the rate of 10 cents per share per annum be-

fore payment of any dividend on Class "B" shares. If in any fiscal year dividends at the rate of 5 cents per share per annum are paid on Class "B" shares, any further distribution in respect of that fiscal year shall be made equally, share for share, upon all outstanding Class "A" and Class "B" shares.

note 7

Retained Earnings

An amount of \$280,500 of retained earnings is restricted under Section 62 of the Canada Corporations Act as

a result of the redemption of 2,805 preferred shares in past years.

note 8

Directors' and Officers' Remuneration

Aggregate remuneration to persons who served as Directors and as Officers of Rolland Paper Company,

Limited at any time during the year was as follows:

	1974		1973	
	12 Directors / 11 Officers		12 Directors / 12 Officers	
Remuneration paid by:				
Rolland Paper Company, Limited	\$50,100	\$459,100	\$42,700	\$316,800
Subsidiary Company Canada Glazed Papers Limited	800	—	900	—
	\$50,900	\$459,100	\$43,600	\$316,800

Three Officers were also Directors of the Company in 1974 and four in 1973.

note 9

Net Earnings per Share

The net earnings per share were calculated after taking into account the differential in the dividends paid dur-

ing the year to the Class "A" and Class "B" shares.

note 10

Long-Term Leases

The Company's commitments under lease agreements of various terms for property and equipment aggre-

gate \$1,605,000 at December 31, 1974. The annual rentals in 1975 under these leases will be \$604,000.

note 11

Commitments for Capital Expenditures

The Company expects to spend approximately \$7,500,000 in 1975 on authorized projects primarily for the modifications of existing paper machines.

A bank loan of \$4,000,000 has been arranged of which \$1,000,000 has been received as at December 31, 1974.

Auditors' Report to the Shareholders

The Shareholders,
Rolland Paper Company, Limited

We have examined the consolidated balance sheet of Rolland Paper Company, Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of income, retained earnings and of changes in financial position the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial positions for the year then ended, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants
Montreal, Que.
January 30, 1975.

Ten-Year Comparative Statistics

	1974	1973
Sales and Earnings <i>(in thousands)</i>		
Net sales	\$83,228	\$61,130
Depreciation and amortization	1,588	1,534
Bond interest	354	402
Earnings before income taxes	8,789	4,899
Income taxes	3,782	2,270
Earnings (loss) from operations	5,007	2,629
Dividend income	281	—
Extraordinary gain	—	64
Net earnings	5,288	2,693
Cash flow	7,259	4,239
Percentage of earnings from operations to net sales	6.0%	4.3%
Percentage of net earnings to capital employed	14.7%	8.6%
Distribution of Earnings <i>(in thousands)</i>		
Dividend on preferred shares	\$ 59	\$ 59
Dividend on class "A" and "B" shares	1,099	620
Retained in the business	4,130	2,014
Per Share*		
Net earnings (loss) per class "A" share	\$ 2.85	\$ 1.44
Dividend per class "A" share	0.61	0.35
Cash flow per class "A" share	3.93	2.28
Book value per class "A" and "B" shares	12.87	10.63
Price range for class "A" shares — high	10.00	10.75
— low	7.00	6.75
Financial <i>(in thousands)</i>		
Net assets:		
Working capital	\$14,445	\$11,443
Investment in securities	5,863	5,863
Fixed assets, net	15,434	13,874
Other assets	199	265
Capital employed	35,941	31,445
Financed by:		
Long-term debt	\$ 6,645	\$ 6,662
Deferred income taxes	4,155	3,772
Preferred shareholders' equity	1,399	1,399
Class "A" and "B" shareholders' equity	23,742	19,612
Total capitalization	35,941	31,445
Ratio of current assets to current liabilities	2.8:1	2.7:1
Capital expenditures	\$ 3,300	\$ 1,550
Other Statistics		
Number of shareholders	1,991	2,066
Number of employees	1,404	1,410

NOTE:

Results of Canada Glazed Papers Limited are included from February 24, 1964, results of Fine Papers, Limited from January 1, 1970 and results of The Wilson-Munroe Company Limited from January 1, 1971.

1972	1971	1970	1969	1968	1967	1966	1965
\$46,437	\$41,555	\$34,085	\$35,647	\$34,903	\$32,881	\$29,935	\$28,291
1,313	1,292	1,257	1,207	1,217	1,149	1,072	817
436	459	484	520	544	570	597	638
2,483	270	(808)	2,855	2,520	3,362	2,731	3,113
1,094	120	(324)	1,444	1,239	1,723	1,266	1,531
1,389	150	(484)	1,411	1,281	1,639	1,465	1,582
—	—	62	125	125	250	263	184
—	—	—	—	—	—	—	—
1,389	150	(422)	1,536	1,406	1,889	1,728	1,766
2,555	1,089	586	2,666	2,487	3,061	3,994	4,115
3.0%	0.4%	(1.4%)	4.0%	3.7%	5.0%	4.9%	5.6%
4.6%	0.5%	(1.4%)	4.8%	4.4%	5.9%	5.5%	5.8%
\$ 60	\$ 60	\$ 60	\$ 60	\$ 60	\$ 62	\$ 65	\$ 71
160	—	534	712	712	712	712	491
1,169	90	(1,016)	764	634	1,115	951	1,204
\$ 0.73	\$ 0.05	\$ (0.25)	\$ 0.82	\$ 0.74	\$ 1.01	\$ 0.92	\$ 1.00
0.10	—	0.30	0.40	0.40	0.40	0.40	0.30
1.37	0.56	0.30	1.43	1.33	1.64	2.15	2.36
9.53	8.90	8.85	9.40	8.99	8.64	8.03	8.02
7.88	4.50	7.00	10.13	8.88	12.50	13.00	13.25
3.10	2.30	3.65	5.13	6.25	6.13	10.00	9.25
\$ 9,649	\$ 8,385	\$ 7,751	\$ 9,901	\$ 9,735	\$ 9,680	\$ 9,522	\$ 8,408
5,863	5,863	5,863	5,863	5,863	5,863	5,863	5,863
14,008	14,758	15,780	15,934	16,176	16,136	15,651	15,501
589	589	589	257	—	89	119	490
30,109	29,595	29,983	31,955	31,774	31,768	31,155	30,262
\$ 7,393	\$ 7,901	\$ 8,025	\$ 8,751	\$ 9,256	\$ 9,748	\$10,217	\$11,267
3,696	3,842	4,196	4,426	4,503	4,639	4,616	3,423
1,422	1,422	1,422	1,422	1,422	1,422	1,479	1,680
17,598	16,430	16,340	17,356	16,593	15,959	14,843	13,892
30,109	29,595	29,983	31,955	31,774	31,768	31,155	30,262
2.9:1	3.1:1	2.3:1	3.5:1	4.2:1	2.9:1	3.7:1	3.6:1
\$ 636	\$ 297	\$ 694	\$ 841	\$ 1,261	\$ 1,639	\$ 1,215	\$ 5,154
2,256	2,320	2,377	2,330	2,330	2,343	2,491	2,518
1,294	1,285	1,289	1,288	1,325	1,308	1,260	1,163

*Net earnings, dividend and cash flow per class "B" share are 5 cents less than per class "A" share except in 1970 when the differential is 4 cents and in 1971 when there is no differential.

1965 per share calculated on average number of shares for the year.

Supplementary Financial Data

Summary of results and capital employed adjusted for the effects of inflation

The recent acceleration in the rate of inflation, and the resulting rapid decline in the real value of the monetary units in which sales and profits are expressed in financial statements, has brought to light the limitations of financial statements prepared from historical costs.

The following financial information restates the Company's assets, liabilities and net earnings for 1974 and 1973 using the December 1974 dollar as the base monetary unit, thereby reducing distortions caused by inflation in making year to year comparisons of results for the year,

capital employed and return on capital employed.

The principal adjustments to net earnings are the additional depreciation based on the adjusted historical costs of the fixed assets and the net monetary gains accruing due to the fact that our total debt to outsiders is higher than the total amounts due to us by outsiders, the last two amounts both expressed in constant dollars.

It should be noted that the investment in shares of Consolidated-Bathurst Limited is stated at cost on the historical basis, and the cost is restated in current dollars for purposes of measuring capital employed.

	Current Dollar Basis (Dollars of December 1974)		Historical Dollar Basis (See Pages 20 to 23)	
	1974	1973	1974	1973
	(In thousands)		(In thousands)	
Results for the Year				
Earnings before income taxes	\$ 9,344	\$ 5,083	\$ 9,070	\$ 4,963
Income taxes	4,067	2,646	3,782	2,270
Net Earnings	\$ 5,277	\$ 2,437	\$ 5,288	\$ 2,693
Capital Employed at End of Year				
Working capital	\$14,775	\$12,981	\$14,445	\$11,443
Investment	9,818	9,818	5,863	5,863
Fixed assets less depreciation	22,738	21,466	15,434	13,874
Other assets net of amortization	271	361	199	265
Capital Employed	\$47,602	\$44,626	\$35,941	\$31,445
Financed by:				
Long-term debt	\$ 6,645	\$ 7,488	\$ 6,645	\$ 6,662
Deferred income taxes	4,155	4,240	4,155	3,772
Shareholders' equity	36,802	32,898	25,141	21,011
Total Capitalization	\$47,602	\$44,626	\$35,941	\$31,445
Net Earnings				
Per "A" Share	\$ 2.84	\$ 1.30	\$ 2.85	\$ 1.44
Return on Capital Employed	11.1%	5.5%	14.7%	8.6%

**Restatement
Procedures**

Basis of Adjustment

The supplementary financial data shows the effect of expressing the results and the financial position in terms of dollars of purchasing power of December 1974. The historical costs have been translated by means of factors derived from the Consumer Price Index.

Method of translation

The historical costs for inventories, prepaid expenses, investments and fixed assets have been translated by applying factors which reflect the changes in the purchasing power of the dollar between the respective dates of the originating transactions and December 1974.

The historical costs for monetary items such as accounts receivable, current liabilities, deferred income taxes and long-term debt are taken to be already expressed in terms of the current purchasing power of the dollar.

The resultant adjustment, which has been added to shareholders' equity, denotes the amount by which the book value of assets expressed in current dollars is greater than the book value in historical dollars.

The components of the income statement other than depreciation have been translated by applying average factors to each quarter's results. Depreciation is based on applying the Company's depreciation rates to the restated cost of fixed assets.

For comparison purposes, all amounts in the balance sheet at December 31, 1973, whether monetary or non-monetary, and the 1973 adjusted earnings have been translated by applying the factor which reflects the change in the purchasing power of the dollar from December 1973 to December 1974.

**Auditors' Report
on
supplementary
general
price-level
restated data**

The Shareholders,
Rolland Paper Company, Limited

We have examined the consolidated financial statements of Rolland Paper Company, Limited and its subsidiaries as at December 31, 1974 which are set out on pages 20 to 29 of this annual report. These financial statements are based on the application of the generally accepted accounting principle of recording all transactions at their historical cost. Our auditors' report on these historical cost statements is reproduced on page 29 of this annual report.

We have also examined the supplementary general price-level restated data set out on pages 32 and 33 of the annual report. This data presents in summary form the financial position of the companies as at December 31, 1974 and the results of their operations for the year then ended measured in terms of the pur-

chasing power of the dollar at December 31, 1974. Uniform criteria for the preparation and presentation of such data have not yet been established and accordingly restatement procedures could vary from one enterprise to another.

In our opinion, the restatement procedures, described in the notes appended to the supplementary data, have been applied in the appropriate manner in compiling such data from the above-mentioned historical cost financial statements.

TOUCHE ROSS & CO.
Chartered Accountants
Montreal, Quebec
February 5, 1975.

*The cover is printed
on Renaissance, White, Basis 280M.*

*The first inside section,
on Renaissance, White, Basis 160M.*

*The financial section,
on Rolland Tints, African Tan, Basis 140M.*

Printed in Canada

